


INCOME TAX EXEMPTION ON THE DISTRIBUTION OF PROFITS AND DIVIDENDS: A THEORETICAL-COMPARATIVE ANALYSIS <https://doi.org/10.56238/sevened2025.011-006>**Maria Letícia Ribeiro Rattacaso¹ and José André Wanderley Dantas de Oliveira².****ABSTRACT**

This research analyzes the constitutionality of the exemption from Income Tax levied on profits and dividends distributed in Brazil, provided for in Law No. 9,249/1995. An articulated analysis of constitutional normative foundations, empirical data from the Federal Revenue Service and the theoretical framework of justice as equity, by John Rawls, is used to evaluate the results of this fiscal policy from the prisms of contributory capacity, progressivity and distributive justice. It is based on the premise that the exemption, by benefiting mostly from the upper income strata, compromises the redistributive function of the tax system and contributes to the deepening of social inequalities. The research adopts a theoretical approach, combining principled and quantitative analysis, and demonstrates that the maintenance of this authorization reveals a mismatch with the constitutional objectives of the Republic, in addition to generating a significant waiver of revenue to the detriment of the financing of essential public policies. In the light of the Rawlsian principle of difference, the legitimacy of a tax model that exempts income from capital and burdens labor income is questioned. It is also considered that the perpetuation of this structure compromises the principle of universality of income taxation, provided for in the 1988 Constitution. The results indicate that the revision of the exemption policy is not only legally offensive, but socially necessary to enable a fairer, more equitable tax system committed to republican purposes.

Keywords: Tax justice. Income taxation. Profits and dividends. Ability to pay. Rawls theory.

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INTRODUCTION

Tax exemptions play a key role in the Brazilian tax system, being used to stimulate investments, reduce business costs, and correct economic and social disparities. However, when they imply loss of revenue, their justification must be aligned with constitutionally desirable objectives. According to Carrazza (2017, p. 1052), exemptions must observe principles such as tax legality, tax isonomy, and ability to pay to avoid distortions and undue favoritism.

In Brazil, the distribution of profits and dividends is exempt from income tax based on article 10³ of Federal Law No. 9,249/1995 and article 14⁴ of Complementary Law 123/2006, which allows high incomes to escape direct taxation. In 2022, more than R\$ 614 billion were declared as exempt profits and dividends, in addition to R\$ 225 billion from micro and small companies (RECEITA FEDERAL DO BRASIL, 2024)⁵. If these amounts were taxed at an average rate of 15%, they would represent a collection of approximately R\$ 126 billion; if taxation followed the progressive IRPF table (27.5%), this amount could reach R\$ 231 billion.

Also, from an economic perspective, the exemption of profits and dividends, as well as the exemption of income from partners and ME and EPP holders opting for Simples, according to data from the Federal Revenue of Brazil (2024), represent 47% of the amount of amounts not collected due to the tax waiver of the Individual Income Tax (IRPF). And, although they represent almost half of the IRPF tax waiver, they benefit only 13% of the declarants, with 5,643,906 declarants in the 2022 calendar year out of the total of 40,569,728 IRPF declarations.

And, of the beneficiaries, approximately 38% are in the income brackets above 10 minimum wages in force, which intensifies the questioning about the constitutionality of the

³ Article 10. Profits or dividends calculated based on the results calculated as of January 1996, paid or credited by legal entities taxed based on real, presumed or arbitrated profit, will not be subject to the incidence of income tax at source, nor will they be included in the calculation basis of the beneficiary's income tax, individual or legal entity, domiciled in the country or abroad.

⁴ Article 14. Amounts effectively paid or distributed to the owner or partner of the microenterprise or small business opting for the Simples Nacional are considered exempt from income tax, at source and in the beneficiary's adjustment statement, except for those that correspond to pro-labore, rents or services rendered. Paragraph 1 - The exemption referred to in the caput of this article is limited to the amount resulting from the application of the percentages referred to in article 15 of Law No. 9,249, of December 26, 1995, on the monthly gross revenue, in the case of anticipation of source, or of the total annual gross revenue, in the case of an adjustment statement. subtracted from the amount due in the form of the Simples Nacional in the period.

Paragraph 2 - The provisions of paragraph 1 of this article shall not apply in the event that the legal entity maintains bookkeeping and evidences profit higher than that limit.

⁵ It is important to highlight that the database of individual income tax returns is dynamic, that is, at every moment there are taxpayers having their returns rectified, either due to demands from the tax network, tax notifications or inspection procedures, or due to spontaneous rectifications, so that what is presented is a "photograph" of the base in the period in which the data were tabulated (between May and June of 2024).

institute, in view of the principles of equality, ability to pay and progressivity of the tax levied on income. In addition, if it is observed that such tax benefit is undue, the damage caused to society in general is evident, in view of the absence of tax collection, whose purpose is to revert such product to the maintenance of the State's activities.

Given this scenario, the question arises about the constitutionality of this exemption: is it aligned with the principles of isonomy, ability to contribute, and progressivity? Does it meet the objectives that motivated its creation? To answer these questions, this study aims to analyze the constitutionality of the income tax exemption in the distribution of profits and dividends in Brazil.

Specific objectives include: (1) verifying that the exemption complies with constitutional principles; (2) identify the legislator's objectives in granting it; (3) confront the assumptions of the concession with the actual effects; (4) to evaluate whether the quantitative data justify its maintenance; and (5) compare the onerous nature of this tax waiver with other public expenditures.

The research uses a principled approach in the field of Tax Law, legislative review and quantitative analysis of data from the Federal Revenue Service. As a theoretical framework, John Rawls' theory of justice as equity is adopted, which postulates that inequalities are only justified if they benefit the less favored. In this context, the exemption on profits and dividends can be questioned as a factor of income concentration, contributing to the low progressivity of the Brazilian tax system.

The relevance of this study extends to the academic and social spheres, encouraging research on the intersection of taxation and equity. By analyzing whether the exemption from the tax on profits and dividends is aligned with the constitutional principles and objectives of the State, this investigation seeks to contribute to the debate on tax justice and sustainability of public finances.

THEORETICAL PATH

PROFITS AND DIVIDENDS

The central objective of private business activity is to obtain profits, defined as the positive balance between revenues, expenses and costs calculated in the fiscal year. According to Araújo et al. (2021, p. 21), after the adjustments provided for in the legislation, the profit is subject to income tax and social contribution on net income (CSLL), and can be distributed to partners and shareholders in the form of dividends or distributed profits.

The distribution of profits depends on the accounting measurement of the profit of the business activity, as well as on the evaluation of the capital necessary for the continuity

of operations (PADOVEZE; FREZATTI; GIDEON, 1994). Companies seeking expansion may choose to retain part of the profits, reducing distribution to partners.

In limited partnerships, profits are usually reinvested or distributed as set forth in the articles of association. In corporations, the distribution of dividends follows Law No. 6,404/1976 and must respect legal and statutory reserves, in addition to the approval of the general meeting.

"Dividends" are paid to shareholders of corporations, while "distributed profit" is divided among partners of limited liability companies. Both represent the remuneration for the capital invested and for the risks assumed in the enterprise, differing from the pro-labore, which is the remuneration for the work actually performed.

Being equity increases, profits and dividends change the financial condition of partners and shareholders, constituting a manifestation of wealth subject to tax analysis, since they represent a significant positive equity variation.

PERSONAL INCOME TAX AND TAX PRINCIPLES

The Individual Income Tax (IRPF) has a constitutional basis in article 153, III, of the CF/88⁶, which establishes the competence of the Union to tax "income" and "proceeds of any nature". The National Tax Code (CTN)⁷ defines income as the product of capital, labor, or a combination of both, including equity increases.

In the field of public finance, three theories about income stand out: (i) Source theory, which requires periodicity and durability in income generation; (ii) Theory of equity increase, which considers any increase in economic power, regardless of periodicity; and (iii) Legalistic theory, according to which income is what the law defines as such.

The prevailing doctrine points out that Brazil adopts the income model as an asset increase, but there are those who argue that, in fact, Brazil adopts a mixed model between income-product, present in item I of article 43 of the CTN, and the theory of asset increase, present in item II of the same provision (SCHOUERI, 2019, p.21).

Given the importance of the IRPF in tax collection – representing 7.59% of GDP in 2022 – its structure must balance collection and tax justice. More than a collection system, income tax has an extra-fiscal function, being an instrument for the distribution of wealth and the promotion of social equity.

⁶ Article 153. It is up to the Union to institute taxes on: [...] III - income and proceeds of any nature.

⁷ Article 43. The tax, under the competence of the Federal Government, on income and proceeds of any nature has as a taxable event the acquisition of economic or legal availability: I - of income, thus understood as the product of capital, labor or a combination of both; II - proceeds of any nature, thus understood as equity increases not included in the previous item.

Thus, in addition to the efficiency of collection, it is necessary to observe, first of all, the principles that govern taxation, understanding them as a starting point and foundation (cause) of it. In this context, a more specific approach is taken to the principles of isonomy, ability to pay, progressivity, personality, universality and generality of income tax, in addition to compliance with the constitutionally declared objectives of the Federative Republic of Brazil, in order to better reconcile equity in the distribution of the tax burden and achieve social justice through Income Tax.

Principle of equality/isonomy

Equality is a supreme value in CF/88, reflected in article 5 and article 150, II, which prohibits unequal treatment between taxpayers in an equivalent situation. This principle is so basic that it is considered by Professor Geraldo Ataliba (1998, p.160) as the basic postulate conditioning the erection of the republican regime, in addition to being the first basis of all constitutional principles. Thus, equality would not only be a principle, but a value, an ideal, an end in itself.

In taxation, isonomy requires that the economic sacrifice be equitable, proportionally taxing taxpayers according to their ability to contribute. Thus, Rui Barbosa (2019, p.36) states: "The rule of equality consists only in giving unequal treatment to the unequal, to the extent that they are unequal."

The application of this principle is essential to prevent taxation from increasing social inequalities. Therefore, differential treatment must be justified by legitimate economic and/or social criteria, and not by arbitrary discrimination.

Principle of ability to pay

The principle of ability to pay determines that taxes are graduated according to the taxpayer's economic aptitude (art. 145, § 1, CF/88). Thus, taxes should burden more those who have greater economic capacity, ensuring tax justice (CARRAZZA, 2017).

This principle is linked to social solidarity, as it seeks an equitable distribution of tax burdens. However, the effective application of this principle comes up against distortions, such as the difference between taxation of income from labor and capital.

Observing the concern of the constituent in exposing such a guideline, it is evident that it is not a mere recommendation with a programmatic matrix, but of a mandatory nature and binding, capable of reducing the unconstitutionality of laws that violate it.⁸

⁸ In this sense, José Souto Maior Borges: "Programmatic norms in the constitutional text are not simple "recommendations", "advice" or "promises" addressed to integrative legislation. [...] Programmatic norms are not merely declaratory, but have "positive" constitutive effects (if mandatory) or negative constitutive effects (if

Principle of progressivity

Progressivity is an instrument for achieving the ability to pay, as it imposes higher rates on higher calculation bases. In Brazil, only some taxes have progressivity expressly provided for in the CF/88, such as IRPF and IPTU (articles 153, § 2, I and 156, § 1).

However, the principle should guide the entire tax structure to avoid income concentration.

The Brazilian tax matrix has flaws in its progressivity, especially in the taxation of capital income, such as the exemption of profits and dividends. According to IPEA (2022), while OECD countries have maximum rates between 40% and 50%, in Brazil the rate is only 27.5%, with no taxation on dividends.

Thus, it should not be a merely proportional distribution of the financial burden, but of effectively applying the progressivity of the rates, increasing the percentage of incidence as the taxed calculation basis increases.

Principle of personhood

The principle of personhood requires that taxation consider the individual conditions of taxpayers, in order to ensure equity in the collection of taxes. This premise is expressed in article 145, § 1, of the FC/88, and is reflected in the search for the "identification of the criteria most closely related to the taxpayer's person" (RIBEIRO, 2011, p. 2).

Currently, for the Individual Income Tax (IRPF), the personal conditions of taxpayers are measured using a base value of the existential minimum, whose portion is exempt⁹ from taxation because it is understood that it would be a value that does not demonstrate the ability to contribute, but only the ability to maintain the basic personal needs for a dignified existence.

Principles of universality and generality

Article 153, § 2, I, CF/88 imposes that the IRPF be governed by the principles of generality, universality and progressivity. Thus, "by the criterion of generality we can understand that the tax must be the same for all situations, affecting all taxpayers equally. By the criterion of universality, we can understand that the tax must be established considering all the elements of the patrimony from which the increase is taxable, without any distinction" (MACHADO, 2010, p. 337).

prohibitive), that is, they condition integrative legislation, binding it to the limits of authorization and by the authorization itself or by the prohibition. In this respect, its effectiveness is complete. (BORGES, José Souto Maior. Curso de Direito Comunitário, São Paulo, Saraiva, 2005, p. 218-219)

⁹ This exempt share is lower than that of all OECD countries (IPEA, 2022).

However, although the principle of universality requires that taxation covers all taxpayer income, regardless of origin, in Brazil, the exemption of dividends contradicts this principle, as it excludes a significant portion of income from the IRPF calculation basis, due to its origin.

Likewise, although the principle of generality seeks to prevent discriminatory treatment between professional or income categories, it is observed that the exemption of dividends favors specific groups, generating distortions in the tax burden and unjustified privileges.

Stated objectives of the Federative Republic of Brazil

CF/88 establishes the following fundamental objectives: I) the construction of a free, fair and solidary society; II) the guarantee of national development; III) the eradication of poverty and marginalization and the reduction of social and regional inequalities; IV) the promotion of the good of all, without prejudice of origin, race, sex, color, age and any other forms of discrimination (art. 3, FC/88).

These objectives underlie the need for a progressive and equitable tax system, capable of promoting social justice. In this context, taxation should act as a mechanism for income distribution, contributing to the reduction of regional and social inequalities.

And, according to Marcelo Novelino (2020, p.301), it is exactly when these constitutionally desired objectives are taken into account that the adoption of affirmative policies, that is, affirmative action or positive discrimination by the State, is authorized and legitimized.

Thus, the debate on the taxation of profits and dividends must be conducted in light of these principles and objectives, ensuring that the Brazilian tax system is an instrument of economic development and tax justice.

THEORY OF JUSTICE AS EQUITY - JOHN RAWLS

The theory of justice as equity, developed by John Rawls, is a milestone in contemporary political and philosophical thought, providing a robust approach to the analysis of social and distributive justice issues. Rawls proposes that justice should govern the basic structure of society, composed of the political, social, and economic institutions that influence the distribution of rights, duties, and opportunities.

According to Rawls (2000, P. 7-8), the principles of justice should ensure equal fundamental freedoms and allow economic inequalities only if they benefit the less favored. This formulation is supported by the hypothetical social contract model, in which rational

individuals choose principles of justice without knowledge of their social position, ensuring impartiality in the choice. The theory is opposed to utilitarianism, which prioritizes aggregate well-being, and libertarianism, which emphasizes individual rights over the collective good.

In the tax context, Rawls' theory offers an approach to evaluate tax policies from the perspective of distributive equity, questioning, for example, tax exemptions that widen inequalities without benefiting the poorest, as seems to be the case of the exemption from income tax on the distribution of profits and dividends. In this way, progressive and redistributive taxation becomes an essential mechanism to ensure a fair distribution of resources.

The social context and the basic structure

The basic structure of society, in Rawls' view, comprises the fundamental rules that shape social relations and determine the distribution of opportunities. Because these institutions directly impact the lives of citizens, their organization must ensure equity and justice.

Rawls recognizes that social and economic inequalities are inevitable, but argues that they are only justified if they meet two criteria: (i) respect fundamental freedoms and (ii) benefit the less favored. Thus, the basic structure must mitigate structural inequalities, ensuring equitable social conditions.

In the tax context, the basic structure must enable mechanisms that correct the inequalities accumulated over time. Thus, social justice requires not only formal rules for individual transactions, but also the regulation of cumulative results in the broader context, ensuring that inequalities that restrict opportunities are not consolidated.

The original position and the veil of ignorance

The original position is a thought experiment formulated by Rawls to establish the principles of justice of an equitable society. In this construction, individuals, when choosing principles of justice, are placed under a "veil of ignorance", which prevents them from knowing their social position, talents or beliefs. This condition ensures that the principles chosen benefit the collectivity, and not just privileged groups.

The original position, therefore, not only ensures impartiality in the choice of the principles of justice, but also establishes a system of social cooperation based on equity. This approach ensures that any inequality is only accepted if it benefits society as a whole. In the fiscal context, it means that tax rules should be designed to favor the underserved, promoting distributive justice, and ensuring fair opportunities for all.

Primary goods and realization

Rawls defines primary goods as essential resources for individuals to develop their capacities and exercise their citizenship. These goods include, in addition to those of basic needs, such as food and physical security, freedom, opportunities, income and the social bases of self-respect, capable of guaranteeing full opportunities for development and social cooperation to individuals.

To ensure equity, the basic structure must be organized in such a way as to maximize access to primary goods for the less favored, in line with the principle of difference. In the fiscal context, this implies that taxation must ensure that the resources collected are directed to public policies that expand access to education, health, and infrastructure.

The application of Rawls' theory to the tax context

The application of Rawlsian principles to the tax system allows us to assess whether tax policies promote equity and social justice. The exemption from income tax on the distribution of profits and dividends, for example, can be seen as a deviation from the principles of justice, as it mostly benefits the richest, with no evidence that it contributes to the improvement of the conditions of the less favored.

Rawls argues that the most advantaged should contribute proportionately more to ensuring distributive justice. The absence of taxation on dividends, on the contrary, compromises the progressivity of the tax system, weakening its redistributive function. Thus, a fair tax system must prioritize the progressive collection and allocation of resources to public policies that benefit those most in need.

The principle of equality of freedom and the principle of difference

The fundamental principles of Rawls' theory are: (i) the principle of equality of freedom, which ensures equal basic freedoms for all; and (ii) the principle of difference, which allows social and economic inequalities only if they are beneficial to the less favored.

The principle of equal freedom requires that everyone has guaranteed fundamental rights, such as freedom of expression and association. The principle of difference, on the other hand, allows inequalities only when they expand opportunities and benefits for the poorest. This conception of justice justifies the need for a progressive tax system, where those with greater economic capacity contribute proportionally more to society.

In the tax context, these principles demand that taxation not only respect formal equality, but also correct substantial inequalities. Thus, fiscal policies should be evaluated based on their real impact on the promotion of fiscal justice and effectiveness in reducing social inequalities.

Correlations between Rawlsian principles and tax principles

The Rawlsian theory is directly related to the tax principles, especially those of isonomy, ability to contribute, progressivity, personality, universality and generality.

Rawls' principle of equal freedom requires that tax policies respect fundamental freedoms and ensure equal treatment for all citizens. In the Brazilian tax system, this principle is directly related to the principle of isonomy, which requires formal and substantial equality in the treatment of taxpayers.

However, the exemption from taxes on dividends, by disproportionately benefiting the richest, undermines substantial equality, since it widens economic disparities instead of correcting them. From a Rawlsian perspective, tax rules should be designed to ensure that all citizens have fair access to primary goods, something that a selective exemption does not seem to promote.

The principle of difference, in turn, establishes that inequalities are acceptable only if they benefit the less favored. This principle dialogues directly with the principle of the ability to pay of the Brazilian tax system, which provides that taxes must be proportional to the economic capacity of each individual.

However, the exemption of dividends, by relieving the wealthiest, contradicts this principle, as it shifts the tax burden to lower incomes, harming those who depend most on redistributive policies. From Rawls' perspective, such a measure not only perpetuates structural inequalities, but also neglects the redistributive function of the tax system.

Progressivity, one of the pillars of tax justice, finds direct support in Rawls' theory. For him, progressive taxation is essential to correct structural inequalities and ensure equitable opportunities. Thus, those in a better economic situation should contribute proportionally more to the general well-being, promoting a redistribution that benefits the less favored. However, the exemption on dividends weakens this progressivity, shifting the tax burden to salaried workers and increasing the concentration of income.

The principle of personhood is also in line with Rawlsian precepts, as it argues that taxation takes into account the individual conditions of the taxpayer. The exemption on dividends ignores this premise, treating unequal incomes with different origins, without socially acceptable justification.

Finally, the principles of universality and generality require that the tax system covers all income in a broad way, avoiding unjustified privileges. The exemption of dividends, by establishing a differential treatment, violates these principles and perpetuates economic disparities.

Therefore, from the perspective of justice as equity, the exemption from Income Tax on profits and dividends represents a deviation from the principles of equity and social justice. The adoption of fiscal policies that incorporate Rawlsian ideals would strengthen the commitment to the eradication of poverty and the reduction of inequalities, promoting a system that prioritizes collective well-being and reflects the democratic values of a truly just society, reinforcing the idea that the basic structure is designed by moral, free and equal people, which is the starting point of the social contract idealized by Rawls.

BRAZILIAN HISTORY OF TAXATION OF PROFITS AND DIVIDENDS

As a manifestation of wealth that it is and when it comes to acquired income, for a long time profits and dividends were taxed in Brazil. In a study carried out by the Legislative Consultancy of the Chamber of Deputies (2015), the following periods were outlined with modifications to the system of collection of the tax on profits and dividends: (a) the period in which there was a tax incidence on the distribution of profits and dividends and the tax on individual income (IRPF) was collected by means of banknotes (from 1923 to 1988); (b) a transition period, in which legislation on the subject proved to be erratic (from 1989 to 1995); (c) and the current period, in which the complete tax exemption of the distribution of profits and dividends was established (from 1996 onwards).

From 1923 to 1988 – Cedula Period: time when the IRPF was charged on cedular income, which differed by the origin of the revenues obtained by the taxpayer and which provided for the tax incidence on the distribution of profits and dividends, initially all the income resulting from it being fully taxed on the F note, being subject to progressive rates and, then (from 1975 onwards), the distribution of profits and dividends began to be subject to withholding tax, and the taxpayer may choose to offer them for taxation on the F note, offsetting the withheld tax, or consider them taxed exclusively at source. During this period, the distribution of profits and dividends to individuals was heavily taxed, following the main lines of income tax at the time, which are very high marginal rates and reduced calculation bases, given the generous list of expense deductions authorized by the legislation. Thus, the company collected the IRPJ and withheld the IRPF cumulatively, without any type of compensation or rebate between them.

From 1989 to 1995: a moment of transition, with a strong influence of the Tax Reform Act (Public Law 99-514), with a reduction in the amount of IRPF rates (10% and 25%), reduction of deductible expenses (maintaining only deductions with dependents and medical-hospital expenses). It also culminated in the creation of the Net Income Tax (ILL), which would be levied at a rate of 8% on the commercial net income adjusted for some additions, exclusions and compensation of losses, regardless of effective distribution. When distributed, the profit or dividend would not be subject to taxation. Such tax was declared unconstitutional by the STF in RE No. 172,058/SC for corporations and, for limited liability companies, the incidence of ILL depended on the articles of association informing about the distribution of profits. In a continuous act, the collection of the ILL was exceeded due to legislation that determined the non-incidence.

From 1996 onwards: current stage, in which the total tax exemption of the distribution of profits and dividends was established through Law No. 9,249/1995, in force until the present day. Thus, since the calendar year of 1996, distributed profits and dividends are exempt from paying income tax.

From the above, Brazil maintained the taxation of profits and dividends until 1995, sometimes using the classic method, sometimes using the modified classic method, until, with the advent of Law No. 9,249/1995, the total exemption from Income Tax levied on profits and dividends distributed by legal entities taxed by actual profit was determined. presumed, arbitrated, or members of SIMPLES-Nacional, to partners or shareholders, individuals or legal entities, domiciled in Brazil or abroad, contrary to what had been practiced in Brazil, then using the total exemption method.

Thus, considering the complete innovation of the subject in Brazil, we move on to an approach to the conceptualization and application of exemptions and then present the reasons, affirmed by the legislator, for the granting of the exemption, through Law No. 9,249/1995.

ECONOMIC POLICY AND EXPLANATORY MEMORANDUM OF LAW NO. 9,249/1995

The significant change in the taxation of profits and dividends must be analyzed from the perspective of the political-economic situation of the time, as well as the legislative justification that supported this change.

During the period of the formulation of Law No. 9,249/1995, the prevailing idea was that the progressivity of the tax system would be an obstacle to economic growth, since it would supposedly discourage investments and penalize entrepreneurs (GOBETTI; ORAIR, 2016). This view, in line with the rise of neoliberalism, defended the exemption of capital

income as a strategy to attract investments and stimulate the productive sector, moving the State away from an active redistributive role.

The Keynesian model, prevalent in the postwar period, supported strong state intervention in the economy, including progressive taxation to finance social welfare. However, from the 1970s onwards, with the crisis of the welfare state and the advance of globalization, this model began to be questioned, culminating in the adoption of measures that favored deregulation and the reduction of taxes on capital.

In the United States, a similar movement can be observed in the 1980s, with the reduction of the maximum income tax rates and the reduction in the number of tax brackets. In Brazil, the Income Tax had a progressive history until the 1980s, when a movement to reduce rates and simplify the progressive table began. Paradoxically, this movement occurred in the same period as the promulgation of the 1988 Constitution, which provided for a welfare state and measures to reduce inequalities.

Law No. 9,249/1995 represented a deepening of this movement, by extinguishing taxation on profits and dividends received by individuals. The justification presented by the legislator at the time emphasized the need to stimulate investments and simplify fiscal controls, arguing that exclusive taxation in companies would prevent evasion and encourage economic growth.

However, subsequent studies have shown that this policy has not resulted in the expected effects. According to Gobetti and Orair (2016), the exemption of dividends led to a progressive distortion of the tax system, since capital income began to be taxed at an effective rate lower than labor income. Such a model favored the concentration of wealth and intensified inequalities, contradicting constitutional principles such as isonomy, ability to contribute, and progressivity.

From the above, it is necessary to emphasize that the formal constitutionality of a law does not exclude the need to analyze its material compatibility with the fundamental principles of the Federal Constitution of 1988. In the case of dividend exemption, the rule must be confronted with the principles of taxation and the objectives of the Federative Republic of Brazil, established in article 3 of the CF/1988, which include the construction of a fair and solidary society and the reduction of social and regional inequalities.

The exemption of dividends creates an imbalance in the tax matrix by exempting capital income and maintaining progressive taxation on salaried workers. This distortion compromises the principle of ability to pay, as people with greater economic power end up contributing proportionally less than workers with lower incomes. In addition, the measure

disrespects the principle of progressivity, by reducing the tax burden on the richest and transferring it to the lowest-income population, aggravating structural inequalities.

In the international scenario, most countries tax dividends on individuals, seeking to balance the tax burden and encourage the retention of profits for reinvestment. Models that exempt dividends are the exception, as they tend to widen inequalities and reduce tax collection on high incomes.

In Brazil, the option for dividend exemption and high corporate taxation generated effects contrary to expectations. Instead of stimulating productive investments, it encouraged the distribution of profits, discouraging the retention of capital in companies. This reduced the capacity for business expansion and increased the concentration of income, favoring shareholders and partners to the detriment of workers.

Thus, considering the necessary compatibility of taxation with constitutional objectives, it is essential to revisit the fiscal policy adopted by Law No. 9,249/1995. The reassessment of dividend taxation, in line with principles of equity and progressivity, is essential to correct distortions and ensure a fairer and more efficient tax system.

ANALYSIS OF INCOME TAX EXEMPTION FOR PROFITS AND DIVIDENDS IN BRAZIL THE HIGH TAXATION OF LEGAL ENTITIES IN BRAZIL AS A JUSTIFICATION FOR THE EXEMPTION FROM INCOME TAX ARISING FROM PROFITS AND DIVIDENDS

The defense of the exemption from income tax on profits and dividends in Brazil is often based on the argument that the high tax burden of legal entities would justify the absence of taxation on these incomes. However, a comparative analysis with OECD countries reveals that this position does not hold. Although Brazil has one of the highest nominal rates on corporate income (34%), second only to Colombia, the effective tax burden tends to be reduced, due to the existence of special regimes, deductions and tax benefits that especially favor large corporations.

In addition, unlike Brazil, most developed countries adopt a two-tier taxation model, in which both companies and individuals are taxed on business income. OECD data indicate that, while the average taxation on dividends in member countries is 24.57%, Brazil maintains total exemption on these incomes. Chart 1 illustrates this discrepancy, showing that, despite the high taxation of companies in Brazil, the combined tax burden on the company and profits and dividends is lower than in most OECD countries (2023).

Graph 1 – Comparison of corporate and individual income taxation – Brazil and OECD

País	Pessoa Jurídica (%)	Pessoa Física (dividendo) (%)	Tributação Final*
Coréia	26,50%	44%	58,84%
Irlanda	12,50%	51%	57,13%
Canadá	26,20%	39,30%	55,20%
Dinamarca	22%	42%	54,76%
Reino Unido	25%	39,40%	54,55%
Noruega	22%	37,80%	51,48%
França	25,80%	34%	51,03%
Portugal	31,50%	28%	50,68%
Alemanha	29,90%	26,40%	48,41%
Israel	23%	33%	48,41%
Colômbia	35%	20%	48,00%
Bélgica	25%	30%	47,50%
Estados Unidos	25,80%	28,90%	47,24%
Austrália	30%	24,30%	47,01%
Espanha	25%	28%	46,00%
Holanda	25,80%	26,90%	45,76%
Áustria	24%	27,50%	44,90%
Chile	27%	23,90%	44,45%
Suécia	20,60%	30%	44,42%
Japão	29,70%	20,30%	43,97%
Itália	24%	26%	43,76%
Finlândia	20%	28,90%	43,12%
México	30%	17,10%	41,97%
Eslovênia	19%	27,50%	41,28%
Luxemburgo	24,90%	21%	40,67%
Costa Rica	30%	15%	40,50%
Turquia	25%	20%	40,00%
Nova Zelândia	28%	15,30%	39,02%
República Tcheca	19%	23%	37,63%
Islândia	20%	22%	37,60%
Suíça	19,70%	22,30%	37,61%
Polônia	19%	19%	34,39%
Brasil	34%	0%	34,00%
Lituânia	15%	15%	27,75%
República Eslovaca	21%	7%	26,53%
Grécia	22%	5%	25,90%
Hungria	9%	15%	22,65%
Estônia	20%	0%	20,00%
Letônia	20%	0%	20,00%
Média OCDE	23,63%	24,57%	42,37%

* O total não é a soma simples das duas taxas porque o cálculo da 2ª é feito subtraindo a primeira do montante taxado

Source: adapted from OECD (2023), Corporate Tax Statistics 2023.

Also according to Graph 1, it is inferred that economies such as South Korea, Ireland and Canada have tax burdens significantly higher than those in Brazil, with final taxes on business income above 50%. In OECD countries, balanced taxation seeks to ensure that capital allocation is efficient, encouraging competitiveness, innovation, and fair tax collection. In Brazil, the absence of taxation on dividends contributes to a rentier economic model, in which the withdrawal of profits overlaps with productive reinvestment.

This tax policy generates serious distortions in the tax system, because while salaried workers are progressively taxed through rates of up to 27.5%, partners and shareholders of large corporations access exempt income. In addition, the absence of taxation on dividends encourages the distribution of profits to the detriment of productive reinvestment, compromising innovation and the country's economic competitiveness. In this way, the maintenance of the exemption on profits and dividends perpetuates a regressive

tax model, increasing inequalities and reducing revenue for investments in essential public policies.

Therefore, the justification for the high taxation of companies to maintain the dividend exemption does not hold water. The adoption of a more balanced tax model, in line with international standards, could ensure greater tax justice and contribute to a progressive system that respects the constitutional principles of isonomy and ability to pay.

ADOPTION OF THE TOTAL EXEMPTION OF PROFITS AND DIVIDENDS: COMPARISON BETWEEN BRAZIL AND OECD COUNTRIES

An analysis of international tax law shows that the Brazilian tax policy, by totally exempting dividends from income taxation, differs from the prevailing practice among OECD countries. Currently, only Estonia and Latvia adopt a similar model, and this policy is also accompanied by structural mechanisms that mitigate regressive impacts and encourage business reinvestment, unlike what occurs in Brazil (IPEA, 2016; OECD, 2024).

Estonia, for example, does not tax profits at the time they are generated, but only when they are distributed to shareholders, which has encouraged the capitalization of companies. In addition, the country has a highly digitized and efficient tax system, significantly reducing tax evasion and evasion. In Brazil, the absence of taxation on dividends is not accompanied by effective compensatory mechanisms, resulting in a structure that widens inequalities by allowing large capital incomes to escape taxation altogether, while the tax burden falls mostly on consumption and labor income.

In OECD countries, the progressivity of the tax system is guaranteed through the diversification of the tax base and the imposition of rates on dividends, preventing the tax burden from falling disproportionately on the lower purchasing power classes. Notable examples include:

- United States: Adopts a double taxation system, in which companies pay tax on profit and distributed dividends are taxed again at the individual level;
- Germany: Combines corporate taxation on corporate profits with the incidence of tax on dividends on distribution, applying reduced rates to avoid excessive taxation;
- France and the United Kingdom: They use hybrid models, in which profits are taxed in the company and dividends arising from progressive taxation, with compensation mechanisms to minimize the excessive tax burden on investors.

Thus, although these countries balance taxation between the corporate and individual levels, Brazil allows the distribution of profits and dividends without any additional taxation, resulting in a significant revenue loss.

The absence of taxation on dividends in Brazil generates negative impacts on tax justice and economic competitiveness. By relieving capital income, the current system favors the concentration of wealth, penalizing salaried workers who are progressively taxed up to 27.5%. In addition, this model encourages rent-seeking, promoting the distribution of profits to the detriment of productive reinvestment in companies, which harms innovation and sustainable economic growth.

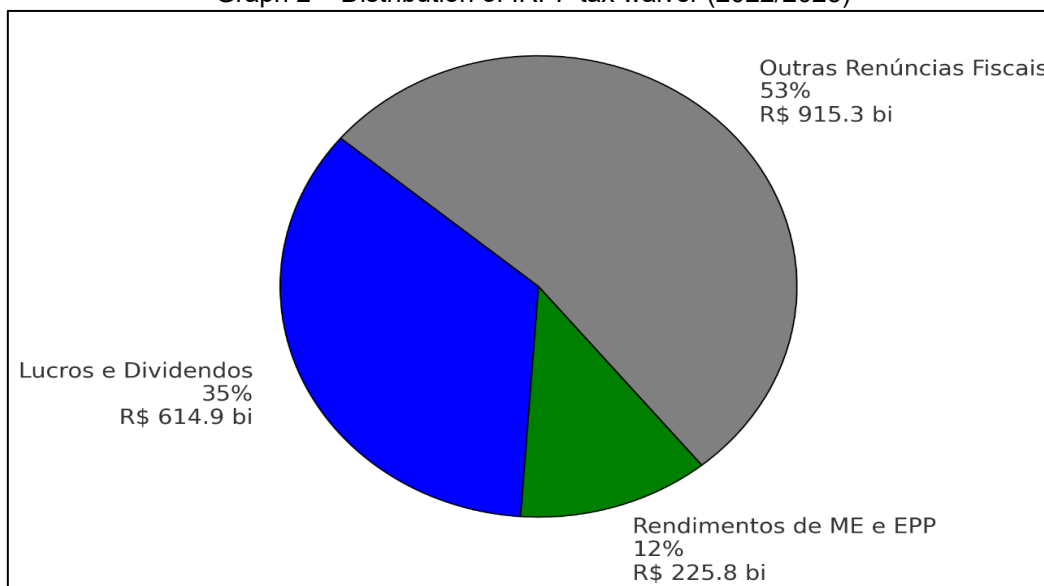
In developed countries, balanced taxation on profits and dividends plays a key role in promoting a dynamic and fair economy. By ensuring that those who benefit most from economic growth contribute proportionally more to state financing, these countries ensure greater availability of resources for essential public policies, such as education, infrastructure, and innovation. In Brazil, the exemption on dividends, added to a high tax burden on consumption, deepens the regressivity of the system, disproportionately penalizing the lower income strata.

The perpetuation of this model not only excludes Brazil from international best practices, but also compromises its ability to promote a more efficient and equitable tax structure. The correction of this exclusion would allow for the alignment of tax policies predominantly in OECD countries, ensuring a fairer and more sustainable system, capable of fostering economic development without compromising business competitiveness. Thus, it is essential to review this fiscal policy, ensuring greater balance in income taxation and strengthening the progressivity of the national tax system.

THE BENEFICIARIES OF THE TOTAL EXEMPTION FROM TAXATION OF INCOME FROM PROFITS AND DIVIDENDS IN BRAZIL

The income tax exemption applied to profits and dividends in Brazil represents one of the most significant tax waiver mechanisms in the national tax system. According to data from the Federal Revenue Service (2024), in the calendar year 2022, income declared as exempt or non-taxable totaled approximately R\$ 614.9 billion in profits and dividends, in addition to R\$ 225.8 billion in income from partners and owners of Micro Enterprises (ME) and Small Businesses (EPP) opting for Simples Nacional. These values indicate that, together, these incomes corresponded to almost half of the tax waiver of the Individual Income Tax (IRPF) in Brazil, as shown in Graph 2.

Graph 2 – Distribution of IRPF tax waiver (2022/2023)

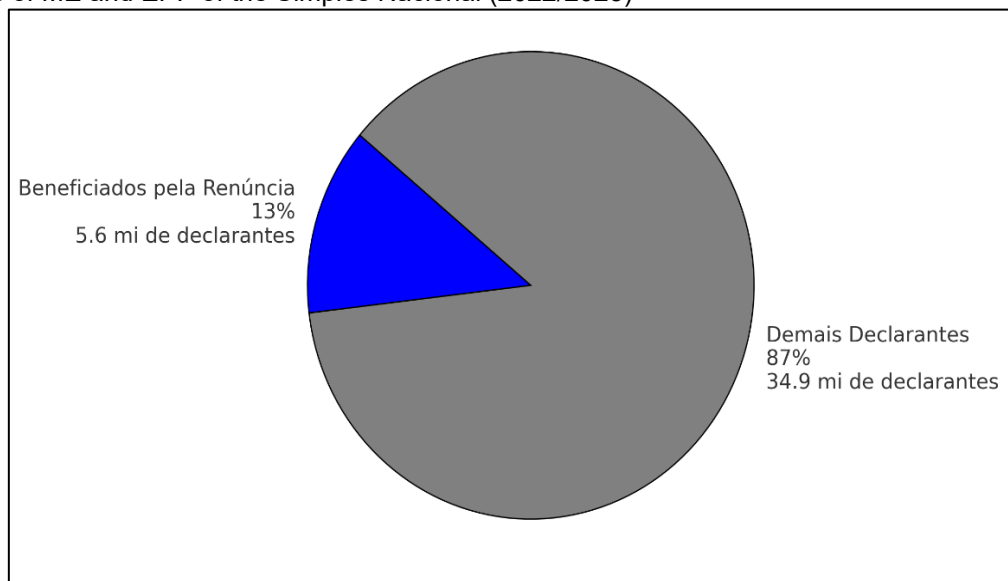


Source: adapted from the Federal Revenue Service (2024), IRPF Major Numbers 2023 - calendar year 2022 - Table 18.

The magnitude of these values shows that this exemption does not constitute a marginal benefit, but rather a central pillar of the Brazilian tax exemption structure. However, a detailed examination of the distribution of this waiver reveals a high degree of concentration of benefits, favoring a restricted group of taxpayers.

The data show that only 13% of IRPF filers were directly benefited by the exemption on profits and dividends, while 87% of taxpayers did not enjoy this tax benefit, as illustrated in Graph 3 below. This means that a select group of approximately 5.6 million declarants was responsible for withholding almost 50% of the IRPF tax waiver, while the remaining 34.9 million declarants did not receive any similar exemption.

Graph 3 – Distribution of beneficiaries of the IRPF tax waiver on profits and dividends and income of partners and holders of ME and EPP of the Simples Nacional (2022/2023)

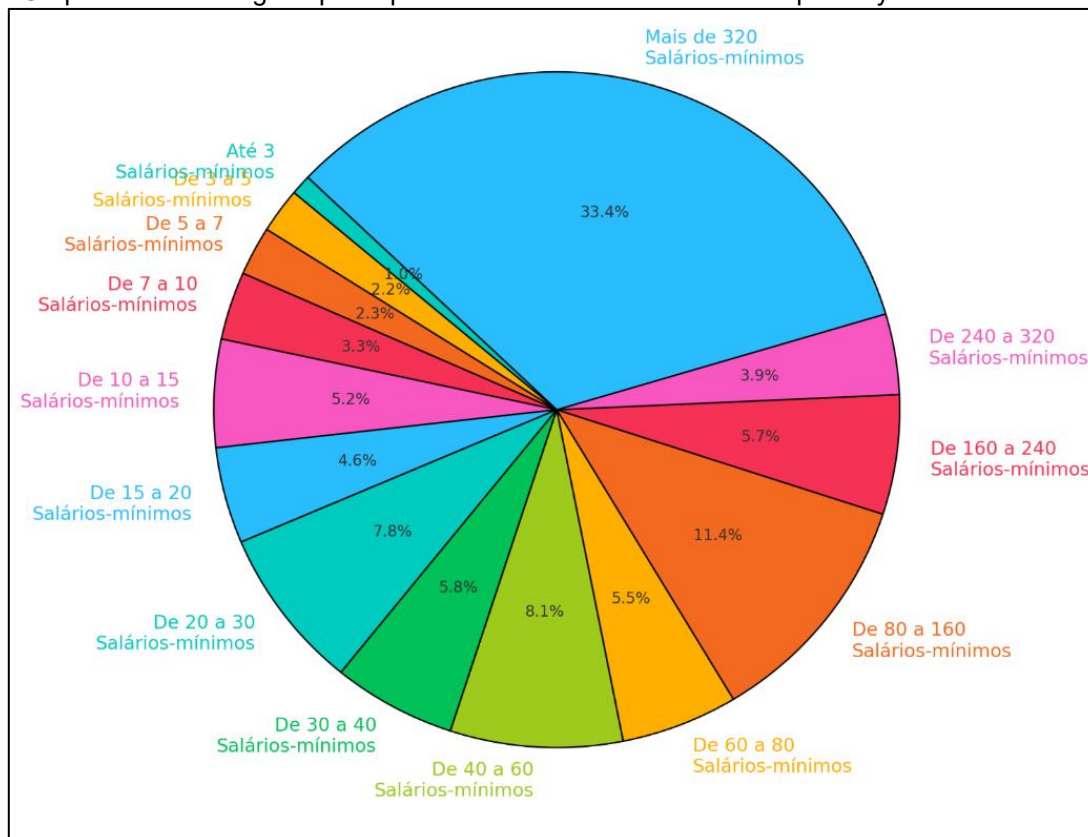


Source: adapted from the Federal Revenue Service (2024), IRPF Major Numbers 2023 - calendar year 2022 - Table 9.

This concentration of benefits shows a serious distortion in the national tax structure, reinforcing inequalities by allowing capital income to remain exempt while salaried workers are taxed progressively, with rates of up to 27.5% in the IRPF. As a result, while the tax burden falls significantly on labor and consumption, holders of large incomes accumulate wealth without any incidence of tax on their main source of income.

When analyzing who are the beneficiaries of this exemption, it is found that most of the exempt amounts are concentrated in the higher income strata. Graph 4 illustrates this reality, showing that 67% of the exempt amounts were allocated to taxpayers who declared income above 40 minimum wages per month. Within this group, 33% exclusively benefited those who earned income above 320 minimum wages, as detailed in the Federal Revenue Service database (2024).

Graph 4 – Percentage of participation of beneficiaries of the exemption by income brackets



Source: adapted from the Federal Revenue Service (2024), IRPF Major Numbers 2023 - calendar year 2022 - Table 8.

These numbers demonstrate that the exemption policy on profits and dividends does not promote any type of tax equity, but rather favors mostly high-income holders, perpetuating the structural inequality of the Brazilian tax system.

In addition, the lack of taxation on profits and dividends creates a disincentive to productive reinvestment, since shareholders are encouraged to withdraw as much profit as possible, rather than reinvest it in the growth of companies. This compromises innovation, job creation and economic development, putting Brazil out of step with tax practices adopted by OECD countries, where there is partial or total taxation on this income.

The perpetuation of this tax model deepens the fiscal regressivity in Brazil, because, while the large holders of capital are benefited by the exemption, the State's revenue depends mostly on taxation on consumption and labor income. As a result, individuals with lower purchasing power end up bearing a proportionally higher tax burden, while those with greater ability to contribute remain unburdened.

This scenario generates an inversion of the principle of ability to pay, essential to ensure tax justice. In countries with more progressive tax systems, the tax burden is progressively levied between different income levels, avoiding distortions that benefit

exclusively those who have greater economic capacity. In Brazil, however, taxation falls heavily on wage earners and consumers, while capital income remains untouched.

Given this scenario, the revision of the exemption policy on profits and dividends presents itself as an essential step towards the construction of a fairer and more efficient tax system. The adoption of a model in line with international practices, in which those who benefit most from economic growth contribute proportionally more to the financing of the State, would allow a more adequate balance of the tax burden and the strengthening of public investment capacity.

The analysis of the beneficiaries of the tax exemption on profits and dividends reveals a significant disparity in the distribution of tax benefits, concentrating the tax waiver in a small group of high-income taxpayers. This tax structure distorts the progressivity of the system, favors the concentration of wealth and compromises the collection necessary for essential public policies.

Unlike what happens in OECD countries, where there is some degree of taxation on dividends, Brazil maintains a total exemption that favors the richest strata of society. This policy, in addition to being fiscally inefficient, contributes to the maintenance of structural inequalities and to a collection model that is excessively dependent on indirect taxes, which disproportionately penalize the low-income population.

The correction of this distortion is not just a technical adjustment, but a necessity to promote greater tax justice and a tax system aligned with the constitutional principles of equity and progressivity. Thus, the revision of this policy is essential to ensure a more sustainable, inclusive and efficient economic model, which strengthens the redistributive role of the State without compromising the competitiveness of the business environment.

THE HIDDEN COST OF THE EXEMPTION: IMPACTS ON THE PROVISION OF PUBLIC SERVICES

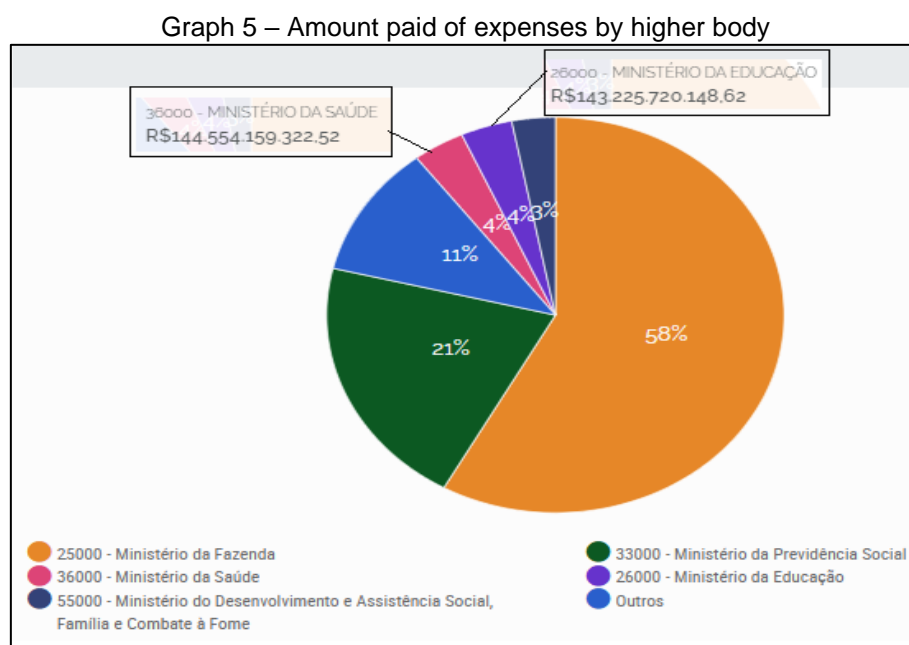
The exemption from income tax levied on profits and dividends has been repeatedly justified on the grounds that it works as an instrument to attract the investment of direct domestic or foreign capital, as it boosts productive investment and strengthens the national economy. However, a more detailed analysis reveals that this policy carries a substantial hidden fiscal cost, with impacts that transcend the revenue sphere and compromise the State's ability to provide essential public services.

The tax waiver not only represents a direct decrease in tax revenue, but also generates a systemic change in the structure of the collection and use of public resources, deepening inequalities and expanding the regressivity of the tax system. The potential loss

of revenue resulting from the tax waiver implies the need for compensation through other taxes, usually regressive, which disproportionately burden lower-income citizens. In this way, the non-taxation of dividends creates a perverse redistribution of the tax burden, shifting the burden of State financing to salaried workers and consumers, while income from capital remains untouched.

To measure the financial impact of this tax benefit, considering the values reported for the calendar year 2022, if there were taxation at the average rate of 15%, only on profits and dividends and income exempt from the ME and EPP of Simples, the amount collected would be R\$ 126.1 billion. If a rate of 27.5% (progressive IRPF table) were considered, the collection would be approximately R\$ 231.2 billion, values that could significantly strengthen the financing of essential public policies.

When analyzing the impact of this exemption on the public budget, it is found that the amounts that are not collected annually exceed the investments destined to fundamental areas such as health and education. As shown in Graph 5, spending on the Ministry of Education and the Ministry of Health, together, totaled approximately R\$287.7 billion in 2022, an amount that could be substantially increased if the exemption were revoked and these amounts collected were used to finance these primary areas of health and education.



Source: Transparency Portal (2022), Execution of Expenditure by Body - Amount Paid of Expenses by Higher Body.

In a comparative analysis, according to data from the Transparency Portal (2025), R\$ 143.2 billion were spent on education and R\$ 144.5 billion on health in the same year 2022. In other words, without the tax waiver of the tax on income from profits and dividends,

it would have enough revenue to practically double the investment in education or health, considering a rate of 15%. If a collection with rates of 27.5% were considered, it would be possible to increase investment by more than 150% in one of these areas or by 75% in each of them (health and education).

The absence of this collection directly impacts the execution of public policies aimed at reducing inequality and social inclusion. Education, for example, depends largely on public investments to ensure the quality of education and the expansion of access at all levels. However, the limited allocation of resources restricts the expansion of the education network, the improvement of school infrastructure and the appreciation of education professionals, compromising the country's human and economic development.

The same occurs in the health area, where the underfunding of the Unified Health System (SUS) prevents the modernization of hospitals, the expansion of care and the strengthening of programs to prevent and combat diseases. With a more balanced and progressive tax burden, based on the effective ability of individuals to contribute, it would be possible to guarantee structuring investments that benefit the entire population, and not just a select group of large investors who benefit from the exemption of profits and dividends.

Thus, the maintenance of the tax waiver on dividends directly compromises the State's ability to offer essential services, such as health, education, security and infrastructure. Rather than being directed towards the promotion of social welfare, this authorization disproportionately benefits a small portion of the population, composed mostly of large shareholders and investors, while a large majority of workers continue to bear a high tax burden on their income.

In addition, the regressivity of the Brazilian tax system is further aggravated. As an alternative to the loss of revenue, the government often resorts to the expansion of indirect taxes, such as ICMS and PIS/Cofins, which are levied on consumption and proportionally affect the lower income classes. In this way, the tax waiver of profits and dividends not only reduces the State's ability to provide essential services, but also accentuates socioeconomic inequalities by shifting the tax burden to the less favored.

Another relevant aspect is the impact of this policy on the State's capacity to respond to crises and emergencies. In times of economic recession or the need for emergency investments, such as pandemics or natural disasters, the lack of resources from taxation on dividends limits government action, harming society as a whole. Countries that adopt progressive taxation on these incomes have greater fiscal flexibility to face challenges and implement countercyclical policies that stabilize the economy and protect the most vulnerable citizens.

In addition, the tax exemption on income from profits and dividends impacts levels in the country's fiscal stability, increasing the dependence on debt mechanisms to supply budget deficits. Without the collection of this tax that is levied on the highest incomes, the government is forced to increase its public debt to finance essential policies, which generates long-term collateral effects, such as increased interest rates and the restriction of the capacity for productive investments.

This model transfers the burden of tax waivers to future generations, perpetuating a cycle of economic fragility and compromising the sustainability of public finances. Countries that adopt a more balanced tax system are able to reduce the need for excessive debt, ensuring more efficient and specific fiscal management for structural development, without compromising social justice and equity in tax collection.

In view of all the above, it becomes evident the absence of proportional justification for maintaining the income tax exemption on the distribution of profits and dividends. From the perspective of adequacy, necessity and strict proportionality, there is no technical, economic or social basis that justifies the perpetuation of this fiscal policy.

Thus, the exemption from income tax resulting from the distribution of profits and dividends is unreasonable, because, in addition to benefiting only 13% of IRPF filers, favoring mostly high-income individuals, who are already in a situation of economic, financial, and patrimonial abundance and, by such measure, stop paying taxes, whose amounts would be fundamental for the funding of essential activities for the State and the lowest-income population, burdening them in a double way.

In a scenario of structural inequality, this policy not only deepens the distortions of the Brazilian tax system, but also imposes an additional burden on salaried workers, who, in the end, finance this tax waiver through a disproportionately higher tax burden.

CONCLUSION

The analysis carried out throughout this study shows that the exemption from income tax levied on the distribution of profits and dividends, in force since Law No. 9,249/1995, configures a fiscal policy that is not sustainable from the constitutional, economic and, much less, social perspective. Likewise, it violates sublime constitutional tax principles, notably the ability to contribute, isonomy and progressivity, reinforcing a regressive model that privileges capital income to the detriment of labor.

When considering the historical objectives of the legislator in the implementation of the exemption, it was found that the justifications presented — incentive to productive investment, simplification of inspection and fight against tax evasion — do not find empirical

support. The data analyzed suggest that the measure did not result in a significant increase in investments, but rather in the financialization of the economy and the expansion of the concentration of income among the higher strata of society. In addition, the evolution of tax inspection technologies demonstrates that it is possible to guarantee collection without resorting to absolute exemption on dividends, as occurs in several developed economies.

The fiscal impacts of this policy were also analyzed from the perspective of tax waiver and the onerous exemption in relation to other essential public expenditures. It was observed that the taxation of dividends could generate revenue equivalent to or greater than the amounts invested annually in strategic sectors such as education and health. This contrast reinforces the arbitrariness of the exemption and the need for a structural review of tax policy, in order to ensure the equitable allocation of resources and the strengthening of the social pact.

From the point of view of tax justice, the exemption of dividends is incompatible with the precepts of the Rawlsian theory of justice as equity. The principle of difference, as formulated by Rawls, establishes that economic inequalities are only justifiable when they result in benefits for the less favored, which is not verified in the current Brazilian tax model. By protecting capital income and imposing a disproportionate tax burden on labor, the Brazilian state compromises the capacity for fiscal redistribution and perpetuates a regressive and socially unjust taxation model.

In addition, the maintenance of this tax policy under the argument of legal certainty and international competitiveness also proved to be unsustainable. International experience shows that competitive and attractive economies for investments do not depend on the exemption of dividends, but rather on structural factors, such as regulatory stability, efficient infrastructure, and ample legal certainty. Thus, the maintenance of the exemption under such justifications is nothing more than a subterfuge to perpetuate tax privileges to a restricted segment of the population, to the detriment of the public interest.

Given this scenario, the review of the dividend exemption policy should not be seen only as a tax or technical issue, but as a social imperative. The reform of the current model is essential to ensure greater equity in income taxation and to ensure that the constitutional principles of isonomy, ability to contribute, and progressivity are effectively respected. Tax justice, in this context, should be understood not only as an instrument of collection, but as an essential mechanism for the promotion of a more balanced society, in which the tax contribution is proportional to the economic capacity.

Therefore, the taxation of dividends represents not only a need for fiscal rebalancing, but a fundamental condition for the achievement of the constitutional objectives of reducing

social inequalities and adequate financing of public policies. The construction of a fairer and more efficient tax system requires overcoming regressive models and adopting measures that ensure a more equitable distribution of tax burdens, ensuring that all segments of society contribute fairly to national development.

To deepen the understanding of the impacts of this fiscal policy, it is necessary to emphasize that the maintenance of the dividend exemption not only distorts and compromises the equity of the tax system, but also distorts economic incentives, favoring the concentration of wealth to the detriment of redistribution. This measure, over the decades, has consolidated a tax privilege that mostly benefits the richest part of the population, while burdening salaried workers and consumers through indirect taxation and taxation on labor income.

In addition, the comparison with international tax systems reinforces the need to review this exemption. Countries with solid and competitive economies, such as the United States, Germany, and France, adopt taxation regimes on dividends that allow for fairer and more balanced collection, without compromising economic dynamism. International experience shows, therefore, that the taxation of this income can be applied, without discouraging productive investment.

From the perspective of tax justice, the exemption of dividends represents an affront to the principle of fiscal solidarity, since it transfers the burden of state financing to the segments of society with less ability to contribute. This reinforces the need to implement a progressive income taxation model, which progressively balances the contributions of all economic agents to their financial capacity.

In short, when considering the impacts of this policy on the country's economic structure, it is verified that the absence of taxation on dividends favors an economic model based on financialization, reducing the attractiveness of productive investment and limiting the potential for sustainable growth of the Brazilian economy.

Finally, in view of the findings of this study, it is suggested that future research deepen the empirical analysis of the effects of dividend taxation in different economic scenarios, investigating how the implementation of a progressive tax regime can impact income distribution and investment allocation in the country. In addition, comparative studies with other international tax systems can provide subsidies for the formulation of more efficient and equitable policies. Another relevant point for future research is the analysis of the impact of dividend taxation on business competitiveness and the innovation capacity of companies, especially in the context of emerging economies.



By revising this policy, Brazil can not only correct fiscal distortions, but also strengthen its capacity to invest in infrastructure, innovation, and essential social policies, consolidating a more balanced and inclusive economic development model.

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